18 April 2024

KEYSTONE LAW GROUP

Keystone Law Group Plc
(“Keystone”, the “Group” or the “Company”)

Full year results for the year ended 31 January 2024

- Strong revenue and profit growth supports the Group’s progressive dividend policy
- Recruitment conditions continued to improve during FY 2024, with Keystone adding 51 new Principals

Keystone, the network and tech-enabled challenger law firm, is pleased to announce its full year results for the year ended 31 January 2024 ("2024").

Financial Highlights:

- Revenue growth of 15.1% to £87.9 million (2023: £76.4 million*)
- Revenue per Principal up 10% to £212k (2023: £193k)
- Adjusted PBT of £11.3 million (2023: £9.2 million) representing an adjusted PBT margin of 12.8% (2023: 12.1%)
- Adjusted basic EPS of 27.4p (2023: 24.2p)
- Cash generated from operations up 11.8% to £10.4 million (2023: £9.3 million) with operating cash conversion of 96.1% (2023: 96.5%); the Group remains debt-free
- Paid interim ordinary dividend of 5.8p per share and special dividend of 12.5p per share
- Proposed final ordinary dividend of 12.5p per share (2023: 11.2p), bringing the total ordinary dividend per share for the year to 18.3p (2023: 16.1p)

*restated

Operational Highlights:

- The Group experienced sustained client demand across practice areas in 2024
- 2024 has seen a positive shift in the recruitment market, with the “war for talent” that had characterised the previous couple of years having subsided:
  - Received 270 high-calibre new applicants in the period (2023: 232)
  - 51 new Principals joined in the year, increasing the number of Principals to 432 (2023: 398), with the vast majority of new recruits coming from top 100 law firms
  - Recruitment of Pod Members continues to grow with the Group ending the period with 102 (2023: 95)
- Total fee earners increased to 549 (2023: 507)
- The Group continued to deliver opportunities for professional networking and community building across the year, underpinning Keystone’s differentiated corporate culture

Current Trading and Outlook:

- The Group has made a positive start to the new year with ongoing client demand across practice areas
- We continue to attract a good flow of high-quality candidates
- The Board remains confident that this will be another successful year, delivering results in line with current market expectations

James Knight, Chief Executive Officer of Keystone, commented:
“It has been another extremely successful year for Keystone and it has been very gratifying to see a return to recruitment levels last experienced pre-pandemic.

The strength of our operational and financial performance across 2024 has enabled the Group to maintain its longstanding progressive dividend policy, returning over £30m to shareholders since listing on AIM in 2017.

We enter the new financial year confident in the ability of the business to continue to deliver high quality earnings and sustainable growth in the year ahead.”

Analyst Briefing
A meeting for analysts will be held virtually at 9.30am this morning. Analysts wishing to attend this event can register via email at keystonelaw@vigoconsulting.com.

Retail Investor Presentation
Keystone's management team will provide a separate presentation and Q&A for investors at 1.00pm on Monday 22 April 2024.

The presentation will be hosted on the Investor Meet Company digital platform, where questions can be submitted pre-event up until 9.00am on the day before the meeting, or at any time during the live presentation.

To sign up to IMC, please visit: www.investormeetcompany.com/keystone-law-group-plc/register-investor

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR").

Notes to editors

Keystone (AIM: KEYS), is an award-winning, UK Top 100, law firm, providing conventional legal services in a £10bn addressable market through its scalable and unique model, with three defining characteristics:

- Lawyers have freedom, flexibility and autonomy, and are paid up to 75% of what they bill.
- Lawyers determine how, when and where they work, in contrast to the conventional law firm model.
- Lawyers are provided full infrastructure and support via its central office team, bespoke user-friendly IT platform, an extensive network of high-calibre colleagues and a busy programme of networking and social events.

Keystone is a full-service law firm, with 20 service areas and more than 50 industry sectors delivered by over 400 high-calibre self-employed Principal lawyers who work from their own offices.

In November 2020, Keystone was named Law Firm of the Year by The Lawyer, the first time a 'new' law firm has won the award.

More information about Keystone can be found at www.keystonelaw.co.uk.

CHAIRMAN'S STATEMENT

I am pleased to introduce Keystone Law's results for the year ended 31 January 2024.

It has been another good year for the business, with sustained client demand and a return to recruitment levels last seen pre pandemic. The Group has delivered a strong set of financial results with revenue growing 15.1% to £87.9m (2023 (restated): £76.4m), and adjusted PBT(1) increasing to £11.3m representing an adjusted PBT margin of 12.8% (2023 (restated): £9.2m, 12.1%) (PBT of £10.3m (2023: £8.4m) and PBT margin of 11.7% (2023: 11.0%)). These impressive results reflect the high levels of activity among our lawyers and the continued growth of the firm, as well as the strength of our balance sheet in this period of higher interest rates. The cash generative nature of the business model has meant that cash generated from operations has increased to £10.4m (2023: £9.3m) representing an operating cash conversion of 96.1% (2023: 96.5%).

DIVIDEND

At the half year, in light of the strength of the balance sheet and our confidence in the future, we paid a special dividend of 12.5p per share. This brought the total dividends paid since IPO to just under 92p(2) per share, or 100% of the EPS earned over the same period.

Having paid an ordinary interim dividend of 5.8p (2023: 5.2p) the Board is proposing to pay a final ordinary dividend for the year ended 31 January 2024 of 12.5p per share (2023: 10.9p), bringing the total ordinary dividend for the year to 18.3p (2023: 16.1p).

OUR PEOPLE AND CULTURE

Fundamental to the ongoing success of Keystone are its people and its culture. As we continue to grow, as a Board we are mindful to ensure that the factors which have made us successful are sustained and enhanced as we continue to evolve the business. We dedicate significant energy in ensuring that our culture is successful, enjoyable, inclusive and supportive and we work hard to ensure that that this is firmly embedded in every aspect of life at Keystone.

BOARD AND GOVERNANCE

The Board has continued to operate within the structures and governance requirements of the Quoted Companies Alliance ("QCA") Code 2018 as set out in the corporate governance section. In November 2023, the QCA issued a revised code which is to apply to financial years starting on or after 1 April 2024. The Board has decided to adopt the new requirements regarding re-election of Directors early and accordingly, all directors will stand for election / re-election on an annual basis with effect for the first time at our AGM in June 2024. We will look to implement all remaining new requirements on a timely basis to ensure that we remain compliant with the new code as it takes effect.

Salar Farzad joined the Board in March 2023 as Non-executive Director and, following Simon Philips' resignation in April 2023, assumed the role of Chair of the Audit Committee.

OUTLOOK

I am pleased to say that 2025 has started well. Our lawyers remain busy and early recruitment activity provides us with confidence in the year ahead.

Robin Williams
Non-executive Chairman
17 April 2024

(1) Adjusted PBT is calculated by adding share-based payment costs and amortisation of intangible assets to PBT. Details of these calculations are shown in the Financial Review.

(2) Sum of the Ordinary DPS paid for the years ended 31 January 2019 to 31 January 2023, together with the special dividends DPS paid to date.

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION AND HIGHLIGHTS

I am delighted to report that Keystone has delivered a strong trading performance this year, with growth across all key performance indicators.

We have experienced sustained client demand across practice areas and this, together with the impact of those Principals(1) who have joined us has continued to drive growth, increasing revenue by 15.1% to £87.9m (2023: £76.4m (restated)), whilst adjusted PBT increased to £11.3m (2023: £9.2m) (PBT of £10.3m (2023: £8.4m) and PBT margin of 11.7%(2023: 11.0%)). As always, the strongly cash generative nature of our model has ensured that these profits have converted to cash, with cash generated from operations of £10.4m (2023: £9.3m).

In light of the strength of the balance sheet and our confidence in the future, we paid a special dividend of 12.5p (£3.9m) together with the interim ordinary dividend and this meant that total dividends paid in the year amounted to £9.2m leaving closing cash of £8.4m.

The legal industry "war for talent" has also subsided somewhat this year, and, following a challenging couple of years on the recruitment front, it has been very gratifying to see a return to the level of recruitment we last experienced pre pandemic and very pleasing to welcome a further 51 high calibre Principals this year.

QUALITY OF OUR LAWYERS DRIVING LONG TERM STAKEHOLDER VALUE

We have always held the view that the key to driving long term stakeholder value in Keystone is the quality of the lawyers we recruit. Focusing on quality, and not just quantity, creates a virtuous circle, attracting lawyers who are, or who aspire to be, at the top of the profession. To date this approach has served us well, driving growth, reducing risk and continually enhancing our reputation within the legal profession; ensuring that as we have grown, we have moved up the value chain in terms of the lawyers attracted to join us. The recognition of our model by the mainstream legal establishment has undoubtedly been accelerated by the changes in attitude towards flexible working practices brought about by the pandemic's lockdown. Our ability to offer an increasingly attractive proposition to those at the top of the profession is clearly evidenced by the fact that over a quarter of the Principals who joined us this year (up from less than 15% in each of the two years pre pandemic) came directly from the UK office of large US law firms or top 25 UK law firms(2).

Furthermore, the vast majority of Keystone lawyers continue to be recruited from top 100 law firms which demonstrates that quality is the determining trait when considering whether to make an offer to a candidate or not. This continued focus on quality has been essential in building Keystone's brand and it is extremely gratifying to see both the number of our lawyers who have been recognised in the Legal 500 UK Solicitors 2024 ranking(3) (172 listed) as well as the evolution of this recognition in recent years (65 Keystone lawyers listed in Legal 500 2019).

POSITIVE EVOLUTION IN THE RECRUITMENT MARKET

This year we have seen a positive shift in the recruitment market as the extremely high levels of demand, which had characterised the "war for talent" during the previous couple of years, has subsided. That said, recently increased salaries across the industry, together with the high interest rates and general uncertainty in the economic outlook has continued to weigh on candidate appetite for change. Against this backdrop, the activity levels and results achieved in the year have been highly satisfactory.

During the period we received 270 qualified applicants (2023: 232), made offers to 103 candidates (2023: 79) with 68 candidates accepting offers(4) (2023: 42). Whilst welcoming 51 new joiners (2023: 32) meant that we have ended the year with 432 Principals (2023: 398). Our Principals have also continued to drive growth through the recruitment of Pod Members, ending the period with 102 (2023: 95), this aspect of the business model is now completely standard with between 15% and 20% of each year's cohort of lawyers choosing to build and run their practice in this way.

(1) Principal lawyers are the senior lawyers who own the service company ("Pod") which contracts with Keystone. The relationship between Keystone and its lawyers is governed by two agreements: a service agreement (which governs the commercial terms and is between the Pod and Keystone) and a compliance agreement (which governs the behaviour of lawyers and is between each lawyer and Keystone). Pods can employ more than one fee earner. A junior lawyer who is employed by a Pod ("Pod Member") is, to all intents and purposes, a Keystone lawyer and is presented to the outside world in much the same way as a conventional law firm would present a conventionally employed junior lawyer. Junior lawyers are interviewed and fully vetted by the recruitment team in central office to ensure that they are of the requisite quality and calibre. As is the case for the Principal lawyers, these juniors sign a compliance agreement with Keystone and are required to comply with all rules and regulations governing the professional conduct of Keystone's lawyers.

(2) The Lawyer Survey 2023 ranking by revenue

(3) The Legal 500 UK Solicitors 2024 rankings is the leading guide to law firms and solicitors in the UK (Source: Legal500.com)

(4) Historically, approximately 15% of candidates who accept offers subsequently don't join.

ONGOING SUPPORT FROM THE CENTRAL OFFICE TEAM

As ever, the Central Office team has had a busy year, providing the full range of support that our lawyers need. It has been another active year for our community and engagement team as it has organised the regular networking and social activities which are such a fundamental element of the ongoing success of the business. These well-attended events deliver technical and commercial updates as well as professional networking and community building opportunities which ensure that our lawyers feel a real sense of belonging and cohesion within the firm. As we continue to grow, our focus is always to ensure that this important cultural aspect of the business scales with us.

The constantly evolving world of IT ensures that the team is always busy. As always, IT security is a key focus for the team and ongoing investment of time and resources is essential to ensure that our IT platform remains safe and secure at all times. We also continue to monitor the evolution of AI, with particular interest in how this technology will affect how we do business. Many of the tools which we use already have some element of AI built into them, however, this is such a fast-moving area that it is likely we will see significant steps forward in wider adoption of AI in the years ahead.

LOOKING AHEAD

We have experienced a positive start to the new financial year with Keystone continuing to take advantage of ongoing client demand across practice areas. So far this year, conditions in the recruitment market remain as they were during 2024 and we continue to attract a good flow of high-quality candidates. All this provides us with confidence that 2025 will be another good year during which Keystone will deliver continued sustainable growth and strong results, in line with current market expectations.

James Knight
Chief Executive
17 April 2024

FINANCIAL REVIEW AND STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs are used by the management to monitor the financial and operational performance of the Group:

- Revenue growth: 15.1% increase (2023: 7.4% (restated))
- Adjusted PBT growth: 22.0% increase (2023: 1.1%)
- Adjusted PBT margin(3): 12.8% (2023: 12.1%(restated))
- PBT growth: 22.9% increase (2023: 0.3%)
- PBT margin: 11.7% (2023: 11.0%(restated))
- Adjusted basic EPS: 27.4p (2023: 24.2p)
- Operating cash conversion 96.1%(1) (2023: 96.5%)
- Trade receivables days: 34 (2023: 36)
- Qualified new applicants(2): 270 (2023: 232)
- Offers made(2): 103 (2023: 79)
- Offers accepted(2): 68 (2023: 42)

1. Operating cash conversion is calculated utilising cash generated from operations and dividing it by the PBT before non-cash movements and net interest (£10,854,775 per cashflow statement 2024).

2. Non-financial KPIs are commented on with the Chief Executive’s review. Recruitment data refers to numbers of potential Principals.

3 The calculation of adjusted PBT, adjusted PBT margin and adjusted EPS is shown on the next page.

INCOME STATEMENT

I am pleased to report revenue for the year of £87.9m, an increase of 15.1% on the prior year. As a business, we have seen sustained client demand across practice areas this year which has been further supplemented by the growth in Principal numbers achieved (ending the period with 432 Principals and averaging 415 (2023: ended with 398 and averaged 396). This has enabled revenue per Principal to grow by 10% to £212k (2023: £193k (restated) £190k (reported))

GROSS PROFIT

The gross profit of the business has risen this year by 15.4% to £22.8m (2023: £19.9m (restated)), with gross profit margins remaining stable at 26%.

AMORTISATION, DEPRECIATION AND SHARE-BASED PAYMENTS

Amortisation, both of right of use assets and intangible assets, remained unchanged year on year with no changes to the underlying assets, whilst there has been a marginal increase in depreciation. The charge in respect of share-based payments increased from £0.5m to £0.6m.

OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses have increased by 16.6% to £11.6m (2023: £9.9m). Staff costs, increased by 11% to £4.7m (2023: £4.2m), against the backdrop of ongoing wage inflation across the economy, whilst average headcount has increased from 59 to 63 as we have continued to invest in the Central office team to support the ongoing development of the business. Other administrative costs (per note 3) increased by 20.8% to £6.9m (2023: £5.7m), with the largest contributory factors to this being recruitment fees and professional indemnity insurance. Recruitment fees are up £0.4m, as both the number and size of practice of those Principals joining through agencies increasing this year, whilst professional indemnity insurance costs have increased by £0.3m driven predominantly by revenue growth and to a lesser extent by the ongoing hardening of the insurance market.

FINANCE INCOME AND COSTS

The last two years has seen a significant step change in the interest rate environment, with rates having risen consistently from virtually nil at the start of the prior year to the current level where it has remained since August 2023. Accordingly, as a cash positive business, our net finance income has risen significantly over the period, contributing £0.9m to profit this year (2023: £0.1m).

PBT, ADJUSTED PBT AND PBT MARGINS

Adjusted PBT is calculated as follows:

	2024 **£**	2023[1] £
Profit before tax	**10,306,331**	8,384,677
Amortisation of intangible assets	**350,884**	350,884
Share based payments	**610,644**	502,708
Adjusted PBT	**11,267,859**	9,238,269
Net Finance Income	**889,204**	74,721
Adjusted PBIT	**10,378,655**	9,163,548
PBT margin[1]	**11.7%**	11.0%
Adjusted PBIT margin[1]	**11.8%**	12.0%
Adjusted PBT margin[1]	**12.8%**	12.1%

(1) 2023 margins have been restated to reflect the prior year restatement of revenue (see note 1)

The growth in revenue and gross profits have driven a 13% increase in adjusted PBIT. This represents an 11.8% margin, which is slightly down on the prior year (2023: 12.0%) as we experienced a sizeable increase in recruitment costs, caused by more Principals with larger practices joining via recruitment agencies. Profit before tax and adjusted profit before tax have increased by 22.9% and 22.0% respectively, with margins also stepping up as the contribution of finance income more than compensated for the change in adjusted PBIT margin.

TAXATION

In April 2023, the standard rate of corporation tax increased from 19% to 25% and accordingly, the average standard rate for this financial year has been 24%. The increase in the standard rate has caused a step up in the Group's effective tax rate to 25.8% (2023: 19.7%). The effective rate of the Group is always higher than the standard rate due to the level of investment we make in in providing networking opportunities in social environments for our lawyers which are disallowable for corporation tax purposes.

EARNINGS PER SHARE

Basic earnings per share increased from 21.5p to 24.4p, with fully diluted EPS being 23.9p (2023: 21.2p). Adjusted basic earnings per share (calculated by making the same adjustments to earnings as have been made in calculating adjusted PBT and divided by the average shares in issue this year) increased to 27.4p (2023: 24.2p).

STATEMENT OF FINANCIAL POSITION

CASH

The Group's business model is strongly cash generative because its most significant cost, the fees paid to lawyers, is only paid once Keystone has been paid for the work it has delivered. Operating cash conversion, which had been particularly strong in 2023, has remained strong this year at 96.1% (2023: 96.5%), generating cash from operations of £10.4m (2023: £9.3m). Capital expenditure was £0.07m (2023: £0.06m). Corporation tax payments increased to £2.2m (2023: £2.0m), reflecting the increase in profits (corporation tax is paid in quarterly instalments with half being due after the financial year end). The change in the interest rate environment has manifested itself in the step up in net interest received of £0.9m (2023: £0.1m) and lease repayments of £0.6m (2023: £0.5m). As such, cash generated by the business in the year, being net cash flow pre dividend payments, was £8.4m (2023: £6.9m). The Group paid dividends of £9.2m, £5.3m in respect of ordinary dividends (2023: £5.2m ordinary dividend) and £3.9m as a special dividend, paid with the ordinary interim dividend (2023: £3.1m paid together with the final ordinary dividend from year ended 31 January 2022). This left closing cash of £8.4m (2023: £9.2m) and no debt.

NET ASSETS

The Group's balance sheet is extremely strong with net assets having decreased from £17.9m to £16.9m by virtue of profit for the year of £7.6m, dividends paid of £9.1m and £0.6m movement in reserves to account for the vesting of LTIP awards.

DIVIDEND

In light of the strength of our balance sheet and our confidence in the future, at the half year the Board took the decision to pay both a special dividend of 12.5p per share (£3.9m) and an interim ordinary dividend of 5.8p per share (2023: 5.2p). The Board is now proposing to pay a final ordinary dividend for the year ended 31 January 2024 of 12.5p per share (2023: 10.9p). This brings the total ordinary dividend for the year to 18.3p per share (2023: 16.1p per share). Subject to approval at the Annual General Meeting, the final dividend will be paid on 21 June 2024 to shareholders on the register at the close of business on 14 June 2024.

The cash value of dividends paid this year of £9.2m includes £3.9m of special dividend.

On behalf of the Board

Ashley Miller
Finance Director
17 April 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2024

	Note	**2024** £	2023 (restated*) £
Revenue		**87,930,626**	76,405,908
Cost of sales		**(65,101,369)**	(56,545,943)
Gross profit		**22,829,257**	19,859,965
Trade receivables impairment		**(1,471,291)**	(1,145,978)
Corresponding reduction in trade payables		**1,088,755**	859,483
		(382,536)	(286,495)
Depreciation and amortisation	3	**(897,814)**	(885,699)
Share-based payments	3	**(610,644)**	(502,708)
Other administrative expenses	3	**(11,573,319)**	(9,927,058)
Other operating income		**52,183**	51,951
Operating profit		**9,417,127**	8,309,956
Finance income	4	**1,575,930**	221,810
Financing costs	4	**(686,726)**	(147,089)
Profit before tax		**10,306,331**	8,384,677
Corporation tax		**(2,656,641)**	(1,650,968)
Profit and total comprehensive income for the year attributable to equity holders of the Parent		**7,649,690**	6,733,709
Basic EPS (p)	6	**24.4**	21.5
Diluted EPS (p)	6	**23.9**	21.2

*See note 2

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2024

	Note	**2024** £	2023 £
Assets			
Non-current assets			
Property, plant and equipment			
Owned assets		**120,517**	187,677
Right-of-use assets		**2,428,005**	513,577
Total property, plant and equipment		**2,548,522**	701,254
Intangible assets		**5,055,954**	5,406,838
Investments		**129,350**	13,628
		7,733,826	6,121,720
Current assets			
Trade and other receivables	7	**25,194,349**	22,605,908
Cash and cash equivalents		**8,367,072**	9,151,875
		33,561,421	31,757,783
Total assets		**41,295,247**	37,879,503
Equity and liabilities			
Equity			
Share capital		62,963	62,732
Share premium		9,920,760	9,920,760
Share-based payments reserve		1,059,531	1,028,247
Retained earnings		5,896,437	6,847,378
Equity attributable to equity holders of the Parent		16,939,691	17,859,117
Non-current liabilities			
Lease liabilities		2,027,866	109,484
Deferred tax liabilities		49,699	132,432
Provisions	8	907,945	183,501
		2,985,510	425,417
Current liabilities			
Trade and other payables	9	19,782,587	18,347,358
Lease liabilities		344,804	538,544
Corporation tax liability		1,242,655	709,067
		21,370,046	19,594,969
Total liabilities		24,355,556	20,020,386
Total equity and liabilities		41,295,247	37,879,503

Ashley Miller
Director
17 April 2024

Keystone Law Group Plc

Registered No. 09038082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 JANUARY 2024

	Attributable to equity holders of the Parent				
	Share capital £	Share premium £	Share based payments reserve £	Retained earnings £	Total £
At 31 January 2022	62,548	9,920,760	749,958	8,150,365	18,883,631
Profit for the year and total comprehensive income	–	–	–	6,733,709	6,733,709
Transactions with owners					
Dividends paid in the year	–	–	–	(8,261,115)	(8,261,115)
Share-based payments vesting	184	–	(224,419)	224,419	184
Share-based payment awards	–	–	502,708	–	502,708
At 31 January 2023	62,732	9,920,760	1,028,247	6,847,378	17,859,117
Profit for the year and total comprehensive income	**–**	**–**	**–**	**7,649,690**	**7,649,690**
Transactions with owners					
Dividends paid in the year	**–**	**–**	**–**	**(9,179,991)**	**(9,179,991)**
Share-based payments vesting	**231**	**–**	**(579,360)**	**579,360**	**231**
Share-based payment awards	**–**	**–**	**610,644**	**–**	**610,644**
At 31 January 2024	**62,963**	**9,920,760**	**1,059,531**	**5,896,437**	**16,939,691**

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 JANUARY 2024

	Note	**2024** £	2023 £
Cash flows from operating activities			
Profit before tax		**10,306,331**	8,384,677
Adjustments			
Depreciation and amortisation	3	**897,814**	885,699
Share-based payments	3	**610,644**	502,708
Revaluation of other assets		**(70,810)**	–
Finance income	4	**(1,575,930)**	(221,810)
Financing costs	4	**686,726**	147,089
		10,854,775	9,698,363
Working capital adjustments			
Increase in trade and other receivables		**(2,588,441)**	(2,632,094)
Increase in trade and other payables		**1,435,229**	2,204,192
Increase in provisions		**724,444**	75,556
Cash generated from operations		**10,426,007**	9,346,017
Interest paid		**(615,726)**	(70,791)
Interest portion of lease liability		**(71,468)**	(76,298)
Corporation taxes paid		**(2,205,784)**	(1,964,281)
Cash generated from operating activities		**7,533,029**	7,234,647
Cash flows from/(used in) investing activities			
Interest received		**1,575,930**	221,810
Purchases of property, plant and equipment		**(68,910)**	(64,080)
Investment in other assets		**(44,812)**	–
Net cash generated by investing activities		**1,462,208**	157,730
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**231**	184
Lease repayments		**(600,280)**	(462,247)
Dividends paid in year		**(9,179,991)**	(8,261,115)
Net cash used in financing activities		**(9,780,040)**	(8,723,178)
Net decrease in cash and cash equivalents		**(784,803)**	(1,330,801)
Cash at 1 February		**9,151,875**	10,482,676
Cash at 31 January		**8,367,072**	9,151,875

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as Keystone Law Group Limited on 13 May 2014 under the Companies Act 2006 (registration no. 09038082) and, subsequently, used as the vehicle to acquire Keystone Law Limited (the main trading company in the Group) and its subsidiaries on 17 October 2014. The Company was re-registered as a Public Limited Company limited by shares on 10 November 2017. The Company was incorporated and is domiciled in England and Wales. The principal activity of the Group is the provision of legal services.

The address of its registered office is:

48 Chancery Lane
London
WC2A 1JF

The preliminary announcement is presented in Pounds Sterling, being the functional currency of the companies within the Group.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

The preparation of Financial Statements, in conformity with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

PRIOR YEAR RESTATEMENT

In January 2024, the Financial Reporting Council ("FRC") submitted a request for further information on the Group's Annual Report and Accounts for the year ended 31 January 2023. The review conducted by the FRC was based solely on the Group's published Annual Report and Accounts and does not provide assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Following completion of this review, the Directors have concluded that although the "pay when paid" payment terms of our lawyers' fees means that any impairment in trade receivables automatically generates a directly related adjustment to trade payables (being approximately 75% of the net value impaired), for statutory reporting purposes these items should be considered and disclosed separately. Accordingly, in order to reflect these transactions in full compliance with para 5.5.8 of IFRS 9 and IAS 1.82(ba), the consolidated statement of comprehensive income for the year ended 31 January 2023 has been restated to reflect the impairment charge separately and not as a reduction in revenue, with the corresponding adjustment to lawyer fee notes equally shown separately and not as a reduction to cost of sales.

As a result, the consolidated statement of comprehensive income for the year ended 31 January 2023 has been restated as follows:

	2023 (reported) £	**Restatement £**	**2023 (restated) £**
Revenue	75,259,930	1,145,978	**76,405,908**
Cost of sales	(55,686,460)	(859,483)	**(56,545,943)**
Gross Profit	19,573,470	286,495	**19,859,965**
Trade receivables impairment	–	(1,145,978)	**(1,145,978)**
Corresponding reduction in trade payables	–	859,483	**859,483**
	–	(286,495)	**(286,495)**

These restatements have Nil impact on operating profit, profit before tax, adjusted profit before tax, earnings, net assets or cash.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the parent company (its subsidiaries) made up to 31 January each year. Control is achieved when the parent company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the parent company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The parent company considers all relevant facts and circumstances in assessing whether or not the parent company's voting rights in an investee are sufficient to give it power, including:

- The size of the parent company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders

- Potential voting rights held by the parent company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the parent company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the parent company obtains control over the subsidiary and ceases when the parent company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the parent company gains control until the date when the parent company ceases to control the subsidiary.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

GOING CONCERN

The Group and Company financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group is cash positive, has no debt, has a model which is strongly cash generative and has, to date, a strong trading performance. The Group's forecasts and projections show that the Group has sufficient resources for both current and anticipated cash requirements for a period of at least one year from the approval of these financial statements.

ADJUSTED PROFIT BEFORE TAX ("PBT")

Adjusted PBT is utilised as a key performance indication for the Group and is calculated as follows:

	2024 **£**	2023 £
Profit before tax	**10,306,331**	8,384,677
Amortisation	**350,884**	350,884
Share based payments	**610,644**	502,708
Adjusted PBT	**11,267,859**	9,238,269

Management considers that the use of the alternative performance measure above, which removes the non-cash items charged to the income statement, provides a truer representation of the underlying performance of the Group.

3. EXPENSES BY NATURE

Expenses are comprised of:

	2024 **£**	2023 £
Depreciation	**136,070**	123,955
Amortisation – intangible assets	**350,884**	350,884
Amortisation – right of use assets	**410,860**	410,860
Share based payments	**610,644**	502,708
Staff costs	**5,834,699**	5,102,472
Other administrative expenses	**6,858,305**	5,676,239
	14,201,462	12,167,118

Included within staff costs above are the costs of employed fee earners who are included within cost of sales (2024: £1,119,685, 2023: £851,653).

4. FINANCE INCOME AND COSTS

	2024 **£**	2023 £
Finance income		
Interest income on bank deposits	**1,575,930**	221,810
Finance costs		
Interest on client monies held	**(615,258)**	(70,791)
Interest on leases for own use	**(71,468)**	(76,298)
Total finance costs	**(686,726)**	(147,089)
Net finance income/(costs)	**889,204**	74,721

5. STAFF COSTS

The aggregate payroll costs (including Directors' remuneration but excluding share-based payment charges disclosed separately) were as follows:

	2024 **£**	2023 £
Wages and salaries	**5,049,463**	4,347,674
Social security costs	**573,268**	579,237
Pension costs, defined contribution scheme	**211,968**	175,561
	5,834,699	5,102,472

Included within the social security costs above is an amount of £Nil (2023: £74,626) in respect of employer's national insurance contributions, which will be payable in respect of shares granted under the Group's LTIP scheme.

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2024 **£**	2023 £
Fee Earners	**13**	12
Administration and support	**63**	59
Total	**76**	71

6. EARNINGS PER SHARE

The calculations of earnings per share are based on the following profits and number of shares:

	2024 **£**	2023 £
Profit attributable to owners of the Parent	**7,649,690**	6,733,709
Amortisation(1)	**350,884**	350,844
Share based payments(1)	**610,644**	502,708
Adjusted earnings	**8,611,218**	7,587,261

	2024 **No of shares**	2023 No of shares

Weighted average number of shares		
For basic earnings per share	**31,386,062**	31,307,540
Dilutive effect of grants under LTIP	**563,260**	472,212
For diluted earnings per share	**31,949,322**	31,779,752
Basic earnings per share (p)	**24.4**	21.5
Diluted earnings per share (p)	**23.9**	21.2
Adjusted basic earnings per share (p)	**27.4**	24.2
Adjusted diluted earnings per share (p)	**27.0**	23.9

(1) Amounts shown are before tax

Adjusted basic earnings per share is calculated by taking adjusted basic earnings and dividing it by undiluted average shares for the year.

7. TRADE AND OTHER RECEIVABLES

	Group	
	2024	2023
	£	£
Trade receivables	**15,308,230**	13,285,914
Provision for impairment of trade receivables	**(4,812,995)**	(4,114,670)
Net trade receivables	**10,495,235**	9,171,244
Receivables from related parties	**–**	–
Accrued income	**11,571,696**	10,030,078
Prepayments	**1,843,276**	2,271,739
Unbilled disbursements	**793,825**	970,078
Reimbursement asset	**280,000**	–
Other receivables	**210,317**	162,769
Total current trade and other receivables	**25,194,349**	22,605,908

The fair value of those trade and other receivables classified as financial instruments are disclosed in the financial instruments note 27.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables, is disclosed in the financial risk management and impairment of financial assets note.

Trade receivables stated above include amounts due at the end of the reporting period for which an allowance for expected credit loss has not been recognised as the amounts are still considered recoverable and there has been no significant change in credit quality.

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds. For all other categories of current receivables, there is no difference between the carrying value and the expected proceeds.

	2024 Gross £	**2024 Provision £**	**2024 Expected Loss Rate %**	2023 Gross £	2023 Provision £	2023 Expected Loss Rate %
0 to 30 days	**5,555,147**	**278,200**	**5.0**	4,982,633	–	–
31 to 60 days	**2,361,527**	**236,153**	**10.0**	2,096,401	–	–
61 to 90 days	**1,306,762**	**130,676**	**10.0**	1,029,435	–	–
91 to 120 days	**752,254**	**206,870**	**27.5**	781,767	2,904	0.4
4 to 6 months	**396,358**	**216,965**	**54.7**	367,305	131,825	35.9
6 months to 1 year	**2,291,042**	**1,260,901**	**55.0**	2,146,285	2,097,853	97.7
Over 1 year	**2,645,140**	**2,483,230**	**93.9**	1,882,088	1,882,088	100.0
	15,308,230	**4,812,995**	**31.4**	13,285,914	4,114,670	31.0

The Directors consider that the carrying value of trade and other receivables approximates to fair value.

The movement in the provision for impairment of trade receivables was as follows:

	2024	2023
	£	£
Balance at 1 February	**4,114,670**	4,082,672
Charge for the year	**1,471,291**	1,145,978
Amounts written off	**(772,966)**	(1,113,980)
Balance at 31 January	**4,812,995**	4,114,670

Because the payment terms of the Group's lawyers is "pay when paid", the impairment of a trade receivable balance automatically generates a directly related adjustment to trade payables (being approximately 75% of the net value impaired).

Accrued income has increased year on year largely in line with revenue, with accrued income days of 48 as at 31 January 2024 (2023: 48 days).

8. PROVISIONS

	Dilapidation £	Professional Indemnity £	Total Provision £
At 31 January 2022	107,945	–	107,945
Additional provision in the year	75,556	–	75,556
At 31 January 2023	183,501	–	183,501
Reclassified from accruals	**–**	**492,250**	**492,250**
Additional provision in the year	**44,444**	**410,000**	**454,444**
Utilisation of provision	**–**	**(222,250)**	**(222,250)**
At 31 January 2023	**227,945**	**680,000**	**907,945**

The dilapidation provision in respect of leased premises in Chancery Lane.

The professional indemnity provision represents the current best estimates of the amounts likely to be needed to settle claims in respect of alleged professional negligence. These estimates are subject to a high level of uncertainty as they depend on the outcome of a range of future events and accordingly may need to be updated as circumstances evolve. Separately, the Group recognises expected reimbursements from professional indemnity insurance associated with this provision within trade and other receivables (note 7). No separate disclosure is made in relation to the detail of any such claims as to do so would be seriously prejudicial to the position of the Group. Note that in the prior year, the professional indemnity provision and the reimbursement asset, the value of which were not material, were presented net within accruals.

9. TRADE AND OTHER PAYABLES

	Group	
	2024 **£**	2023 £
Trade payables	**8,984,449**	8,466,313
Accrued expenses	**10,393,799**	9,462,974
Social security and other taxes	**404,339**	418,071
Total trade and other payables	**19,782,587**	18,347,358

Included within the above accrued expenses is the liability for lawyer fees associated with the accrued income (2024: £8,636,465; 2023: £7,435,836).

The fair value of the trade and other payables classified as financial instruments is disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks related to trade and other payables is disclosed in the financial risk management and impairment of financial assets note. The Group pays its trade payables on terms and as such trade payables are not yet due at the reporting dates.

FINANCIAL LIABILITIES

	0 to 6 months £	7 to 12 months £	1 to 5 years £	Pay when paid £	Total £
Trade payables	181,900	–	–	8,802,549	**8,984,449**
Accrued expenses	1,944,230	588,104	–	7,861,465	**10,393,799**
Lease Liabilities	47,380	297,424	2,379,392	–	**2,724,196**
At 31 January 2024	**2,173,510**	**885,528**	**2,379,392**	**16,664,014**	**22,102,444**

	0 to 6 months £	7 to 12 months £	1 to 5 years £	Pay when paid £	Total £
Trade payables	89,574	615,709	–	7,761,030	8,466,313
Accrued expenses	1,384,052	643,086	–	7,435,836	9,462,974
Lease Liabilities	269,272	269,272	109,484	–	648,028
At 31 January 2023	1,742,898	1,528,067	109,484	15,196,866	18,577,315

Financial liabilities are held at amortised cost. There is no significant difference between the fair value and carrying value of financial instruments.

Amounts shown as pay when paid in the tables above, principally, reflect amounts payable in respect of lawyers' fees, as well as amounts payable to third party counsel and experts whose fees have been incurred on behalf of the Group's clients as disbursements. Lease liabilities are shown at their undiscounted value.